

ISSUE BRIEF

OHCA leads the ACHIEVE project, a grant initiative funded by the Robert Wood Johnson Foundation, to develop purchasing strategies, enhance data capabilities and expand access to affordable health care coverage.

June 2003

ACHIEVE

STATE OF CONNECTICUT OFFICE OF HEALTH CARE ACCESS

Connecticut's ACHIEVE Project A Summary of Activities and Accomplishments

Introduction

The ACHIEVE initiative was a three year effort to promote efficient health care purchasing by the State of Connecticut. The project was funded through a Robert Wood Johnson Foundation State Coverage Initiative Grant. In order to help the state develop innovative purchasing strategies, ACHIEVE evaluated joint purchasing opportunities for medical and dental benefits offered through multiple state agencies including:

- ➔ Office of State Comptroller (for State employees and retirees);
- ➔ Department of Social Services (for HUSKY A, HUSKY B, and Medicaid clients);
- ➔ State Teachers Retirement Board (for retired teachers); and
- ➔ Department of Administrative Services (for Workers Compensation).

Through an extensive process of data collection and evaluation and by discussion and consensus building with these agencies and the Office of Policy and Management (OPM), the ACHIEVE effort evaluated several opportunities relative to health care purchasing.

A significant accomplishment included providing all stakeholders with an understanding that effective health care purchasing is not a periodic event; rather, it is an ongoing process that

integrates vendor evaluation and selection with negotiation and contracting that, in turn, provide the foundation for continuous vendor management and monitoring (see **Figure 1**).

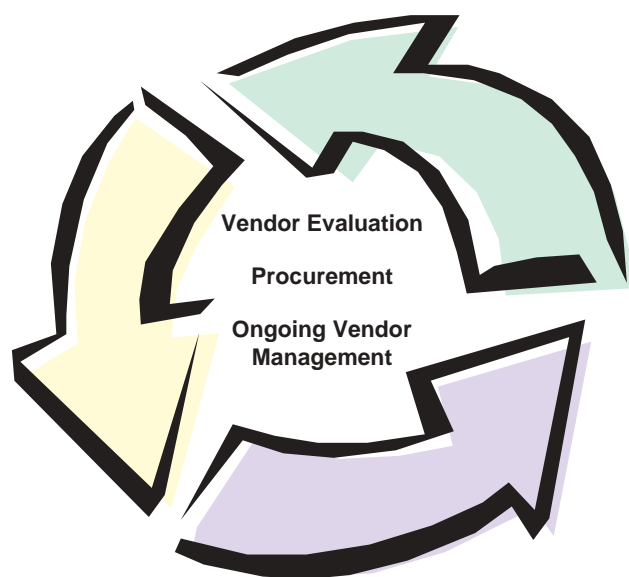


Figure 1: Integrated Purchasing Process

Common Opportunities

The ACHIEVE team defined health care purchasing opportunities common to each stakeholder. This process involved a series of meetings with Joint Procurement Policy group (JPP) that consisted of key stakeholders involved directly or indirectly in the purchase of health care benefits for Connecticut constituents.

These meetings served as an effective mechanism for stakeholders to share information and to work toward the common objective of seeking to contract with vendors who could meet their service and performance standards at the most competitive cost. One goal of the JPP was aligning contract dates so that procurement would take place at the same time for each agency. Through these meetings it was determined that Teachers Retirement Board (TRB) and Workers Compensation (WC) would stay on a parallel but separate path as ACHIEVE.

As stakeholders, the Department of Social Services (DSS) and the Office of the State Comptroller (OSC) identified medical and dental benefits as areas that could benefit from a collaborative purchasing initiative. However, each identified different key factors influencing their respective procurement requirements, including logistical issues such as contract renewal dates, lead times for renewals/bids, and staff resources.

Information gathered from each of the stakeholders was consolidated and presented to the Joint Procurement Policy group. This presentation highlighted common areas of interest and individual stakeholder issues. This consensus building served as the basis for the group to move forward with exploring specific opportunities for joint action.

Medical Benefits

The magnitude of expenditure coupled with the importance of these benefits to each of the stakeholders' covered populations put medical benefits at the top of the priority list for joint purchasing opportunities. DSS and OSC purchase health benefits for more than a half-million constituents; the cost of these benefits consumes an ever-increasing portion of the State's budget.

Although there is a significant overlap between OSC and DSS in the vendors used to provide

medical benefits to their respective populations, OSC and DSS are managed as separate accounts within each of the vendors and managed independently. **Figure 2** illustrates the membership in plans purchased by DSS and OSC.

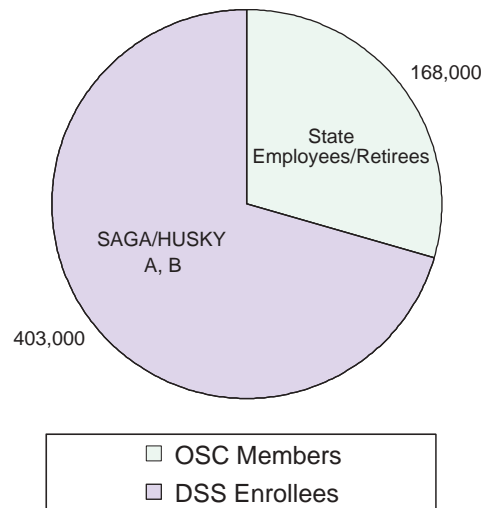


Figure 2: Enrollment in State-Purchased Plans

Key issues of concern relevant to each agency's ability to pursue a joint procurement effort were identified as follows:

- ➔ State Employees Bargaining Agent Coalition (SEBAC) issues for OSC – Any changes in vendors, plan designs or funding would have to be worked out through SEBAC.
- ➔ Access issues for Medicaid – DSS seeks to expand provider access for the populations it serves. Currently the provider network available to HUSKY and Medicaid members is smaller than that available to OSC.
- ➔ Timing - OSC and DSS were on different contract cycles that would require synchronization. Also, the lead time required by DSS to manage a procurement bid is generally longer than that for OSC. (Note: These dates were eventually synchronized as part of the ACHIEVE initiative.)

Ultimately, it was decided that the joint procurement of medical benefits was too large and too significant of a category to attempt as a first effort to coordinate purchasing between OSC and DSS. The group felt that it would be appropriate to undertake a joint effort involving a health care benefit category that was less complex. So the group then looked at how dental benefits were procured.

Dental Benefits

Dental benefits emerged as a category that both agencies had an interest in pursuing and felt was a manageable category in terms of complexity and expenditures. OSC was interested in seeking a more cost-competitive plan while DSS was looking to address the level of access and service without compromising the existing benefit program. The group embarked on a two-year process to see how dental benefits for both populations could be jointly procured.

By tying the two agencies' bids together, the intent was to provide incentives for vendors to develop creative ways for increased participation of dental providers in the network that serves the DSS population. A Request for Information was issued in May 2001 to determine the number of qualified vendors and level of interest in responding to a joint bid. Twelve of the vendors that responded had sufficient capabilities to provide dental services to both populations.

Subsequently, a great deal of effort went into reviewing and incorporating both agencies' performance specifications, access requirements, and administrative performance requirements into a Request for Proposal (RFP) that combined the requirements of both agencies. This RFP went through extensive review by staff from OSC, DSS, OPM and members of

the Health Care Cost Containment Committee in order to arrive at a single RFP tool that met all parties' needs.

The final RFP was issued in December 2002. Responses have been received from vendors, but in the interim, the state's budget situation created changes in DSS benefits, so bids are not applicable at this time. Regardless of the outcome, the joint dialogue, sharing of contract information/requirements and RFP development process has created an awareness of opportunity that can serve as a strong foundation on which future joint procurement efforts can be built.

Management Reporting

A valuable by-product of the ACHIEVE purchasing initiative was developing and understanding how information is collected and processed into meaningful reports that can be used to monitor the cost of services provided and to effectively manage out-sourced health and dental care vendors. In particular, timely claims data and financial reporting is critical to effective budgeting and the preparation necessary to enter into successful negotiations with vendors.

Even though health and dental benefits for State employees/retirees are currently provided through insured arrangements, the State needs to have a defined process in place to evaluate proposed insured premiums against projected claims to determine whether the insured premiums are reasonable. OHCA developed the Results Management Database, a financial reporting tool using data readily available from the vendors, that tracks claims experience on a monthly basis to allow for the evaluation of claims data.

This tool, containing key data elements and methodology, was developed to provide cost trend information on an ongoing basis.

Figure 3: Sample Report -- Results Management Database

Measures:	Average Employee, Average Members, Total Medical, Total Pharmacy			
Claim Network:	In/Out of Network			
Offset:	Premium/Claims Together			
Population:	Actives			
Timeframe:	Fiscal Year 2002			
Vendor:	Anthem			
	Average Employee	Average Members	Total Medical	Total Pharmacy
State Preferred	10,426	20,552	\$55,731,908	\$17,676,825
POS	12,660	28,251	53,172,907	17,364,261
POE- Non-gated	14,604	30,185	52,333,957	15,977,544
POE - Gated	1,131	2,360	3,011,202	927,962
PPO-OOA	1,386	3,337	6,838,899	1,834,616
Subtotal	40,206	84,684	\$171,088,873	\$53,781,208

an opportunity for ACHIEVE to serve as a valuable resource by reporting some of DSS's data through this same reporting process. This would be extremely beneficial because two large agencies (OSC & DSS) would be reporting in the same manner to OPM for budgeting purposes.

Conclusion

The ACHIEVE Initiative has

Continual financial reporting and analysis capability is required to support the budget development process as well as cost projections and funding evaluation. OHCA is providing this information to OPM to support ongoing development and assessment of the budget for State employee/retiree health benefit costs.

A projection model for the employee/retiree benefit plan was developed using the same data sources as the monthly report to provide OHCA and OPM with information to use for budgeting and premium rate negotiation purposes. Automated data feeds have been developed to support efficient data entry for both the monthly reporting tool and the projection model. These models can also be used to support analysis of the funding arrangement to determine if and when the State should consider a different funding approach, e.g., insured versus self-insured.

Even though DSS benefits are complex and are provided to different populations, there could be

successfully raised awareness among State agencies about opportunities to purchase health care services more efficiently. ACHIEVE has placed importance on a performance-based vendor management process that holds the State of Connecticut's contracted vendors accountable for delivering high quality, cost competitive health care services consistent with defined performance requirements. The initiative has also led to the development of critically important reporting and analytical tools that are needed to support the optimal procurement and ongoing management of health benefit services.

ACHIEVE would like to thank OSC, DSS, and OPM for the time and commitment they demonstrated over the course of the past three years. The true measure of the success of ACHIEVE should not be gauged by the outcome of the dental procurement process but by the continuing application of the cooperation, principles and tools that evolved from the initiative.